

**REPORT OF THE AUDIT OF THE
SPENCER COUNTY
CLERK**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SPENCER COUNTY CLERK

**For The Year Ended
December 31, 2004**

The Auditor of Public Accounts has completed the Spencer County Clerk's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$24,831 from the prior year, resulting in excess fees of \$72,624 as of December 31, 2004. Revenues increased by \$15,808 from the prior year and expenditures increased by \$40,639.

Report Comment:

- The Depository Institutions Should Have Provided Sufficient Collateral As Required By The Written Agreement

Deposits:

The Clerk's deposits were uncollateralized by bank securities or bonds by \$63,348 as of April 7, 2004.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Jenkins, Spencer County Judge/Executive
Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Spencer County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2004, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable David Jenkins, Spencer County Judge/Executive
Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Depository Institutions Should Have Provided Sufficient Collateral As Required By The Written Agreement

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Spencer County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 29, 2005

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services		\$	5,900
Fiscal Court			5,219
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	373,345	
Usage Tax		1,025,201	
Tangible Personal Property Tax		1,155,001	
Miscellaneous		1,604	
Other-			
Fish and Game Licenses		4,124	
Marriage Licenses		3,174	
Deed Transfer Tax		86,086	
Delinquent Tax		181,979	2,830,514
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		16,937	
Real Estate Mortgages		57,609	
Chattel Mortgages and Financing Statements		40,161	
Powers of Attorney		1,495	
All Other Recordings		28,531	
Charges for Other Services-			
Candidate Filing Fees		480	
Copywork		8,013	
Postage		419	153,645
Other:			
Miscellaneous			177
Interest Earned			1,396
Total Revenues		\$	2,996,851

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 296,644
Usage Tax	996,095
Tangible Personal Property Tax	428,723

Licenses, Taxes, and Fees-

Fish and Game Licenses	4,274
Delinquent Tax	21,400
Legal Process Tax	17,003
Candidate Filing Fees	60
	<u>\$ 1,764,199</u>

Payments to Fiscal Court:

Tangible Personal Property Tax	93,968
Delinquent Tax	15,841
Deed Transfer Tax	<u>81,566</u>
	191,375

Payments to Other Districts:

Tangible Personal Property Tax	585,517
Delinquent Tax	<u>98,394</u>
	683,911

Payments to Sheriff 2,748

Payments to County Attorney 29,496

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	111,756
Part-Time Salaries	754

Employee Benefits-

Employer's Paid Health Insurance	3,785
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Contracted Services-

Microfilming & Indexing	14,400
Tax Bill Preparation	2,155
Emergency Repairs	6,395
Maintenance /Supplies Copier	2,702

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
 JUDY PUCKETT, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	16,055	
Deed & Mortgage Books		7,203	
Office Repairs & Cleaning		1,200	
Other Charges-			
Refunds		3,387	
Miscellaneous Election Expense		1,896	
Dues		1,277	
Postage		9,038	
Bank Charges		10	
Bonds		33	
Miscellaneous		741	
Capital Outlay-			
Office Equipment		3,700	\$ 186,487
Total Expenditures			<u>\$ 2,858,216</u>
Net Revenues			\$ 138,635
Less: Statutory Maximum			<u>61,638</u>
Excess Fees			\$ 76,997
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>773</u>	<u>4,373</u>
Excess Fees Due County for 2005			\$ 72,624
Payments to Fiscal Court - March 7, 2005	\$	60,000	
March 15, 2005		<u>13,398</u>	<u>73,398</u>
Balance Overpaid Fiscal Court at Completion of Audit			<u><u>\$ (774)</u></u>

The accompanying notes are an integral part of this financial statement.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 7, 2004, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$63,348 of public funds uninsured and unsecured.

SPENCER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 3. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 7, 2004.

	<u>Bank Balance</u>
FDIC insured	\$ 100,000
Collateralized with securities held by pledging depository institution in the county official's name	200,000
Uncollateralized and uninsured	<u>63,348</u>
Total	<u>\$ 363,348</u>

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$8,219. The unexpended grant balance was \$8,219 as of December 31, 2004.

Note 5. Subsequent Event

On April 29, 2005, the Spencer County Clerk entered into a software and hardware lease with Software Management, Inc. The lease runs for 60 months beginning on April 14, 2005 through and including April 13, 2010. The lease payments are \$1,625 per month for software and \$1,004 per month for hardware.

COMMENT AND RECOMMENDATION

SPENCER COUNTY
JUDY PUCKETT, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2004

LAWS AND REGULATIONS:

The Depository Institutions Should Have Provided Sufficient Collateral As Required By The Written Agreement

On April 7, 2004, \$63,348 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the depository institution pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response:

None.

PRIOR YEAR:

None.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Jenkins, Spencer County Judge/Executive
Honorable Judy Puckett, Spencer County Clerk
Members of the Spencer County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Spencer County Clerk for the year ended December 31, 2004, and have issued our report thereon dated November 29, 2005. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Spencer County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Spencer County Clerk's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards.

- The Depository Institutions Should Have Provided Sufficient Collateral As Required By The Written Agreement



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

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Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 29, 2005

